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**THE DIRECTOR OF
CENTRAL INTELLIGENCE**

National Intelligence Council

NIC #06977-84
13 December 1984

NOTE FOR:

Executive Secretary

FROM:

George Kolt
NIO/Europe

SUBJECT:

CIA Comments on State Memorandum Entitled
Poland Next Steps

This memo responds to your request. It has
been coordinated with the relevant DDI and DDO
offices.


George Kolt

Attachment:
As stated

[Redacted]

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Central Intelligence Agency



Washington, D. C. 20505

14 Dec 84

NIC #06977-84/A

MEMORANDUM FOR: Robert M. Kimmitt
Executive Secretary
National Security Council

FROM: [redacted]
Executive Secretary
Central Intelligence Agency

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SUBJECT: CIA Comments on State Memorandum Entitled Poland Next Steps

1. The policy advocated in the State memorandum is essentially one of responding positively to any Polish moves toward liberalization and negatively toward repressive action. As such, this policy is well in accord with NSDD 54 (US Policy Toward Eastern Europe). From the intelligence standpoint, however, we would caution against a search for direct or indirect deals on issues affecting Polish domestic affairs, that is against a policy based on promises of US quids for Polish domestic policy quos. While Jaruzelski undoubtedly attaches some attention to Western reactions, his domestic moves will be dictated primarily by his own long-term domestic objectives and by his perception of the balance of forces within the ruling Polish apparatus. Any US attempts to strike specific bargains with him will probably flounder as Jaruzelski's implementation of his side of the bargain will be influenced by his desire to keep a consensus in his apparatus, will probably not meet US expectations, and may well lead to recriminations rather than improvements in relations.

2. We note that since the memo was written Jaruzelski has freed Lis and Mierzewski. We assume that the USG is therefore lifting our opposition to the Polish application for IMF membership as we have explicitly told the Poles we would do.

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3. As for the specifics of the State memorandum we offer the following comments:

- We are not as optimistic as State on the Polish balance of payments situation. Although there was a small increase (almost \$300 million) in the trade surplus in 1984, the overall hard currency balance of payments situation has declined (-\$260 million) this year. Poland still faces serious financial problems and we do not expect an improvement soon.
- The Poles are in the third year of a moratorium on payments to Western governments during which arrears have risen to \$11 billion. This moratorium has allowed the regime to give greater priority to imports to increase production and market supplies.
- Financing sources are dwindling as new credits dry up.
- Warsaw cannot even cover the interest on its debt, and interest arrears now amount to \$2.5 billion.
- We believe more attention should be paid to the views of Polish society. In essence, the chasm between the government and society remains as wide as ever. Although the government's tools of repression effectively crush any outright resistance, society continues to defy the government whenever it can, such as the use of the Popieluszko funeral to demonstrate its continued loyalty to the ideals of Solidarity, the continued circulation of some 1,000 underground publications and the outright rejection of the PRON (the government's 1980s version of the "United Fronts" of the 1940s). It is important to note that Poland had eighteen months of freedom during the Solidarity period, that the population has not been cowed as in Czechoslovakia, and that it wants more political participation today than Kadar has given Hungary after over twenty years of rule. We believe there will be continued refusal by the Poles to accept the well-disciplined society model that Jaruzelski apparently has in mind. Human rights committees have been established in various cities but the government has not allowed them to operate. They are, however, a manifestation of a continued search for more effective resistance and may require our attention in the future.

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- As for Jaruzelski we see him as a consensus man and one who either does not see or does not want to use all the freedom of action which the lack of a viable alternative gives him vis-a-vis the Soviets. Consequently, we do not believe he will take actions outside the standard Communist framework and will continue his attempt to preserve the standard Communist system of rule from above. That system will not be accepted by Polish society and Jaruzelski will have to continue relying on the repressive apparatus of the Interior Ministry, therefore greatly diminishing his freedom of action.
- On economic policy the Polish government has repeatedly said that unless it can get cooperation from the West it will orient the Polish economy toward the Soviet Union. These statements should be treated with caution. [redacted] the Poles did conduct studies on the feasibility of this policy and found that it would not be viable. The government could nevertheless opt for it in lieu of economic reforms that would make the country a more acceptable partner to the West but doing so would be choosing the path of continued impoverishment for Poland.
- On economic interactions with the West we note that the plan for private aid to Polish agriculture is currently stalled because of Polish government demands that would undermine the effectiveness of the aid. If Jaruzelski really intends to move in a meaningful way on reform it would seem that he would overcome whatever resistance there might be to this admittedly difficult ideological deviation.
- As far as relations with the US go, we believe that if the Poles really want an improvement they would give agreement to our Ambassador designate. We would also note the periodic recurrence of reports that the Poles believe the US so badly wants to have an Ambassador in Warsaw that it will make concessions to get Polish agreement. We believe that the dispatch of any high level interlocutor to Poland prior to that agreement would lend support to that belief.

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NIC #06977-84
13 December 1984

Distribution:

Orig - Executive Secretary

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PRIORITY**EXECUTIVE SECRETARIAT****ROUTING SLIP**

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17	AO/DCI				
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19	NIO/USSR-EE	X			
20	NIO/EUR		X		
21	D/SOVA/DI		X		
22	D/EURA/DI		X		
	SUSPENSE		14 Dec 84		
			Date		

Remarks

TO 19: Please ensure coordinated (DI/DO/NIO) response is prepared for my signature.

Executive Secretary
8 Dec 84

Date

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VIA LDX

SYSTEM II
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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20505

Executive Registry

84- 10266

December 7, 1984

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MEMORANDUM FOR COLONEL R. J. AFFOURTIT
Executive Secretary
Department of Defense

Executive Secretary
Central Intelligence Agency

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SUBJECT: Poland: Next Steps (S)

In response to the President's request, the Departments of State and Treasury have reviewed and devised a broad contingency plan to respond to Polish events, which is attached. Please provide your comments to NSC by COB, Friday, December 14, 1984. (S)

Robert M. Kimmitt
Robert M. Kimmitt
Executive Secretary

Attachment:

State Department's memorandum to Mr. McFarlane of November 26

cc: Charles Hill
Department of State

Christopher Hicks
Department of the Treasury

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Declassify on: OADR

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ES SENSITIVE 8432258/8430868
United States Department of State

SYSTEM II
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Washington, D.C. 20520

November 26, 1984

MEMORANDUM FOR MR. ROBERT C. MCFARLANE
THE WHITE HOUSE

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SUBJECT: Poland: Next Steps

In response to your October 17 memorandum to the Secretary, the Departments of State and Treasury have reviewed the situation in Poland and developed a broad contingency plan for dealing with possible positive and negative developments in that country.

The Current Situation in Poland Poland remains relatively calm in the aftermath of the July 21 amnesty and the Popieluszko affair. However, the amnesty appears to have done little to bridge the appreciable gap that separates the government from society. The kidnapping and murder of Father Popieluszko by officers of the secret police highlights the continued unpredictability of the situation. It is impossible at this point to foresee how the Popieluszko affair will play out. The government promptly arrested three secret police officers who have subsequently confessed to the crime, but insist that they did not mean to kill the priest. The government has provided considerable detail about the crime to date and probably will put the three officers on trial and obtain a conviction, an unprecedented occurrence in postwar Eastern Europe.

General Jaruzelski has assumed personal control of the Communist party apparatus in the Ministry of Internal Affairs, implying that the Politburo member who oversees security matters, police general Miroslaw Milewski, is on his way out. A large-scale shake-up in the secret police could follow. Milewski is widely assumed to be a hard-line, pro-Soviet opponent of Jaruzelski and possibly the eminece grise behind the murder of Popieluszko. Rumors of KGB involvement in the Popieluszko affair are unsubstantiated but widely believed in Poland and, we understand, in the Vatican.

On the economic front, Poland's balance of payments situation has improved somewhat in the past year. Warsaw sustained a hard currency surplus by severely cutting back on imports, but the level of production and standard of living is still 20% lower than in 1979, the last pre-crisis year. Officially, the Polish Government remains committed to economic reform and has passed a number of related legislative acts, but the Polish economy has yet to be reformed in any meaningful fashion.

Solidarity continues to play an important symbolic role, even though it is outlawed and lacks organizational cohesion. For example, Walesa was instrumental in keeping public passions reined in after Popieluszko's murder. He has called repeatedly for talks with the Government, but to date Warsaw has shown no sign of a willingness to enter into meaningful discussions with him or any other Solidarity leader. Meanwhile, Walesa and his

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colleagues are calling for trade union pluralism, and a debate is underway within Solidarity over how to deal with the new official trade unions. One segment argues that former Solidarity members should participate in the unions and particularly the worker's councils at individual enterprises in an attempt to exert control over union policies, while others argue for creation of separate Solidarity-type unions. On the sanctions question, Walesa continues to favor our lifting economic sanctions against the GPP, but only in return for forward progress on the part of the Polish Government.

The Church and state continue to share an interest in social peace but have little else in common. The Church plays an increasingly important role, particularly as an alternate outlet for political expression. In the meantime, the Church is significantly expanding its influence in areas such as the construction of new places of worship (200 in one year) and its plan to assist private farmers. Differences between the two will continue to cause problems, although both sides have gone out of their way during the past year to avoid confrontations. This is particularly true in the aftermath of the kidnapping and murder of Father Popieluszko.

Despite the Popieluszko affair, Jaruzelski's position appears secure, thanks in large part to the absence of a viable alternative Polish leader. Polish public opinion apparently does not view him as personally responsible for Father Popieluszko's murder, although his investigation of the case will continue to be carefully and critically scrutinized. He evidently intends to play a balancing act between "reactionaries", who want to throttle dissent completely, and "liberals", who hope, under suitable circumstances, to revive Poland's Western connection. Most observers, both within and outside of Poland, generally agree that his replacement by a "hardliner" such as Olszowski would only lead to a worsening of the situation.

The Kremlin views the situation in Poland as far from ideal. Moscow, for example, is clearly unhappy with the enhanced role of the Church, the prominent leadership role played by the army (and consequent displacement of the Party), the large private agricultural sector, the economic morass, Jaruzelski's refusal to date to crackdown sharply on dissent, and the relative (for a communist country) openness of the media.

As we consider our long-term objectives, we must be realistic about what is possible in Eastern Europe. Although likely to muddle along on its current course a while longer, the Polish leadership could follow one of two broad paths. The first is one of strong central control, repression of all dissent and meager, if any, economic reform. The second permits a limited but significant amount of openness, economic experimentation, and dialogue with the populace.

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Czechoslovakia approximates the first model, Hungary the second. Given the Polish people's historical record, the strong role played by the Church, and the fact that every post-war regime has known it needed the people's cooperation to "succeed", severe repression is a much less likely long-term option. It is too early to tell what direction Poland will take. Jaruzelski says he wants to follow the second path; however, as the murder of Father Popieluszko indicates, reactionary elements in Poland still wield considerable power and undoubtedly would be more comfortable with a more repressive regime. Our specific policy decisions should be designed to encourage the Poles along the path of social dialogue and economic reform and our assessment of whether, in general, this is the direction in which they are heading.

Dealing with Positive Developments We have informed Warsaw that we will move on Polish IMF membership once Solidarity activists Bogdan Lis and Piotr Mierzewski are released from prison. Two major U.S. sanctions would then remain in place: MFN and access to official credits. We could thus lift one or both of these sanctions in response to appropriate positive developments within Poland. We could also lift our informal ban against high-level USG contacts with Polish counterparts. The latter is much desired by Warsaw for its symbolic significance.

-- MFN. The suspension of Poland's MFN status was linked to the delegatization of Solidarity. Its reinstatement logically should be associated with freer trade union activity. As noted, Lech Walesa and other leading Solidarity activists have on several occasions called for trade union pluralism, although they have not yet made clear what this term means. We think substantial movement toward trade union pluralism and greater social dialogue should be our primary conditions for restoration of MFN status, although we should take our cue from Walesa and other Solidarity leaders in defining this process.

-- Access to Official Credits. Walesa has stated on a number of occasions that he would welcome aid for Poland, but has always qualified his statements with the observation that this aid must be used for the benefit of the populace, not squandered by the regime as in the past. We should make lifting the sanction against access to USG credits (as opposed to the actual provision of credits) contingent on the implementation of meaningful economic reforms and agreement with the Paris Club on rescheduling debt and arrears since 1981.

-- High Level Visit to Warsaw. Warsaw is elated over the decisions of a number of our Allies (the Greeks, Germans, Brits and Italians) to send high level delegations to Warsaw. Nevertheless, it is a U.S. visit that they seek the most.

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Indeed, important Polish-American leaders have proposed that a senior USG official offer to visit Poland, feeling this would be viewed there as a clear sign of our interest in a dialogue and could help strengthen those forces within Poland who favor a more moderate course. Obviously we should not consider such a visit unless we were assured of gaining something from it. At the same time, to be effective, such a step should not be made directly conditional on specific actions by the Warsaw Government. Rather, we should make it quietly clear to the Poles that we would be prepared to consider such a visit once we had a clear sense that Jaruzelski was moving in a positive direction. This "bait" might help to urge Jaruzelski to move more clearly in this direction.

Dealing with Negative Developments The USG must also be prepared to deal with a serious deterioration within Poland. In addition to criticizing publicly specific negative developments, there would be a mix of concrete steps we could take to respond. These might include warnings to Warsaw of the consequences further deterioration would have on our lifting sanctions which are still in effect (i.e., MFN and credits), or, if we have already granted MFN or credits take steps to withdraw them. However, it would be unwise at this point to settle on a specific strategy, since any action on our part will be heavily conditioned by circumstances. To wit:

-- The Soviet Role. Depending on the extent/magnitude of Soviet involvement, we will want to focus part or most of our attention on Moscow.

-- The Allies. Experience over the past two years indicates that, to be most effective, actions on our part vis-a-vis the Poles must have Allied support. We will need to carefully assess the position of our Allies at the time to determine what type of actions on our part will have the desired effect. It is very clear, however, that for the Allies to respond forcefully to negative developments in Poland, those developments would have to be egregious and the U.S. would have to exert an active, high-level, if behind-the-scenes effort.

-- The Domestic Scene. Mainline Polish-American leaders appear to be leaning away from our use of the stick and toward our dangling some carrots. This does not mean they will not call for a strong USG response to repressive acts by the Warsaw Government, only that their reaction will be heavily influenced by actual events. Others seem more unrelentingly "hardline" on how best to deal with Warsaw. This same mix of views is evident on the Hill and among some other domestic groups.

-- The Situation in Poland. To have maximum impact, any actions on our part must be carefully calibrated. If we react too strongly or too weakly, we could risk not only undermining our own interests in Poland, but in aiding our enemies as well.

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Should significant deterioration occur in Poland, the Department, in consultation with other appropriate agencies, will provide timely, specific recommendations for dealing with the situation.

For McKinley
Charles Hill
Executive Secretary

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

CIA Comments on State Memorandum Entitled Poland Next Steps

FROM:

George Kolt
NIO/EUR

EXTENSION

NO.

NIC #06977-84

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DATE

13 December 1984

TO: (Officer designation, room number, and building)

DATE

OFFICER'S
INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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